

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Mundy</b>	County <b>Genesee</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>3/10/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

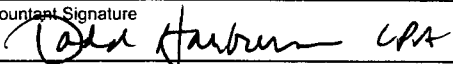
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) <b>BKR Dupuis &amp; Ryden</b>			
Street Address <b>111 East Court Street, Suite 1A</b>		City <b>Flint</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48502</b>	
		Date <b>5/23/05</b>	

**Financial Statements**  
**Charter Township of Mundy**  
**Genesee County, Michigan**  
**December 31, 2004**

**Charter Township of Mundy  
Financial Statements  
For the Fiscal Year Ended December 31, 2004**

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**Charter Township of Mundy**  
**Financial Statements**  
**For the Fiscal Year Ended December 31, 2004**

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**Charter Township of Mundy  
Genesee County, Michigan  
List of Elected, Civil, and Appointed Officials  
December 31, 2004**

Karen L. Bond, Supervisor

Rick W. Frost, Clerk

Andrew E. Lengyel, Treasurer

Karen E. Gawron, Trustee

Tonya L. Ketzler, Trustee

Robert E. Neumann, Trustee

Joe Oskey, Trustee

*Independent Auditors' Report*

Members of the Board  
Charter Township of Mundy, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Mundy, (Township) as of December 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B., the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Mundy, Michigan at December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 10 and the information in the required supplementary information section on pages 37 and 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section and the individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statement has been subject to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*BKR Dupuis & Rydell*

Certified Public Accountants  
Flint, Michigan

March 10, 2005

## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

As management of the Charter Township of Mundy, we offer readers of the Charter Township of Mundy financial statements this narrative overview and analysis of the financial activities of the Charter Township of Mundy for the fiscal year ended December 31, 2004. We encourage readers to read the information presented here in conjunction with the financial statements and footnotes provided in the report.

### Financial Highlights

- The assets of the Charter Township of Mundy exceeded its liabilities at the close of the most recent fiscal year by \$26,284,681 (*net assets*). Of this amount, \$14,090,858 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,242,924 or 93 percent of total general fund expenditures.
- The Charter Township of Mundy has full paid all general obligation debt as of year end. The Debt Service Fund has a balance of \$214,193 that will be transferred to the Water and Sewer Fund during 2005.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Charter Township of Mundy basic financial statements. The Charter Township of Mundy basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Table 1 below summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Mundy Township's  
Government-wide and Fund Financial Statements  
Fund Statements**

<b>Type of Statements</b>	<b><u>Government-wide</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Funds</u></b>	<b><u>Fiduciary Funds</u></b>
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the water and sewer system	Instances in which the Township is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Agency funds statement of assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter Township of Mundy finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Charter Township of Mundy assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter Township of Mundy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Charter Township of Mundy that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Charter Township of Mundy include general government, public safety, roads and storm drains. The business-type activities of the Charter Township of Mundy consist solely of the Water and Sewer Fund.

The net assets used in governmental activities decreased \$303,777 during the year ended December 31, 2004. The net assets used in business type activities increased \$904,518 during the year.

The government-wide financial statements include only the Charter Township of Mundy itself (known as the *primary government* as the Township has no component units).

The government-wide financial statements can be found on pages 11 through 13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Mundy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Charter Township of Mundy can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter Township of Mundy maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund.

The Charter Township of Mundy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Under State law, a budget is not required for the Debt Service Fund.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

**Proprietary funds.** The Charter Township of Mundy maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Charter Township of Mundy uses an enterprise fund to account for its Water and Sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Enterprise Fund.

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Charter Township of Mundy own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The only fiduciary fund maintained by the Townships is the Tax Collection Agency Fund.

The basic fiduciary fund financial statement can be found on page 21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 36 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Charter Township of Mundy progress in funding its obligation to provide pension benefits to its employees. A Statement of Revenues and Expenditures as compared to the budget for the General Fund is also presented in this section. Required supplementary information can be found on pages 37 and 38 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter Township of Mundy, assets exceeded liabilities by \$26,284,681 at the close of the most recent fiscal year.

By far the largest portion of the Charter Township of Mundy net assets (43 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Charter Township of Mundy uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Although the Charter Township of Mundy investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Charter Township of Mundy net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,090,858) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Charter Township of Mundy is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Charter Township of Mundy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Charter Township of Mundy *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Charter Township of Mundy financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter Township of Mundy governmental funds reported combined ending fund balances of \$6,483,720. Approximately 90% of this total amount (\$5,840,996) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to provide services for the prior period (\$25,358), to pay for Garbage Collection (\$466,544), to operate the Building Department (\$136,423) or for a variety of other restricted purposes (\$14,399).

The general fund is the chief operating fund of the Charter Township of Mundy. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,626,803, while total fund balance was \$6,269,527. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 99 percent of total general fund expenditures, while total fund balance represents 111 percent of that same amount.

General fund balance has been designated for future expenditures and other purposes (\$1,203,879). Designations reflect current plans of the township board and are considered unreserved as the Board can amend those plans at any time.

The debt service fund has a total fund balance of \$214,193, all of which is excess funds that will be transferred. The fund balance, during the current year, results from making the final payments on outstanding general obligation debt in 2004. The Charter Township is general obligation debt free, beginning late 2004.

**Proprietary fund.** The Charter Township of Mundy' proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$6,408,655.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$230,926 in reductions. This can be briefly summarized as follows:

- \$140,643 in reduction allocated to general government activities.
- \$67,035 in reduction allocated to the police department.
- \$17,890 in reduction allocated to the fire department.
- \$5,358 in reduction allocated to the building department.

During the year, however, revenues exceeded budgetary estimates by \$316,359 and expenditures were less than budgetary estimates by \$613,362, or a total of \$929,721, thus reducing the amount of prior year fund balance needed to fund current year expenditures.

Actual revenues exceeded final budgeted amounts in major categories by the following amounts

- Licenses, permits and fees by \$99,925
- State Revenue Sharing by \$11,553
- Federal sources by \$49,085
- Interest income by \$16,965
- Miscellaneous by \$ 73,262

Actual expenditures were below (or above) final budgeted amounts in major categories by the following amounts:

- General Government-(Town Hall-Tax -Other governmental) by \$458,880
- Public Service by \$210,544
- Liquor law enforcement by \$3,500
- Building Department by \$3,289
- Police Department by (\$52,288)
- Fire Department by (\$10,563)

### **Capital Asset and Debt Administration**

**Capital assets.** The Charter Township of Mundy investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$12,138,814 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and roads.

Major capital asset events during the current fiscal year included the following:

- Renovations completed to the Township Hall during 2004 were \$1,897,318.
- Water and Sewer Main construction completed by investors in the U.S. 23 Business Park was \$277,513.

Information on the Charter Township of Mundy capital assets can be found in note IV.C on pages 30 and 31 of this report.

**Long-term debt.** At the end of the current fiscal year, the Charter Township of Mundy had no bonded debt outstanding. During 2004 the remaining \$117,912 of bonded debt was repaid.

Additional information on the Charter Township of Mundy long-term debt can be found in note IV.E on page 32 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The assessed and taxable value of property in Mundy Township is expected to increase.
- The Township has 4,000 plus housing units that are approved for construction and are expected to be built in the near future.
- Fund balance in the General Fund could be eroded if settlement is not achieved with previous waste hauler over impact fees paid to the Township.

All of these factors will be considered in preparing the 2006 budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$5,626,803. The Charter Township of Mundy has appropriated \$383,879 of this amount for spending in the 2005 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2005 fiscal year.

The Water rates increased for the 2004 budget year. The water rates were increased as a result of Genesee County Water and Waste revisions. The increase affected both residential and commercial customers by the same percentages.

## **Requests for Information**

This financial report is designed to provide a general overview of the Charter Township of Mundy finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Charter Township of Mundy, 3478 Mundy Avenue, Swartz Creek, MI 48473.

## **Basic Financial Statements**

## **Government-wide Financial Statements**

**Charter Township of Mundy**  
**Statement of Net Assets**  
**December 31, 2004**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and equivalents	\$ 5,567,220	\$ 5,879,320	\$ 11,446,540
Receivables:			
Taxes	1,864,252	-	1,864,252
Special assessments	567,640	277,512	845,152
Accounts	468,463	206,140	674,603
Unbilled utility service income	-	332,885	332,885
Prepaid insurance	25,358	-	25,358
Internal balances	25,624	(25,624)	-
Due from other governments	315,449	-	315,449
Capital assets (net of accumulated depreciation)	4,021,587	8,117,227	12,138,814
Total assets	\$ 12,855,593	\$ 14,787,460	\$ 27,643,053
<b>Liabilities</b>			
Accounts payable	\$ 179,729	\$ 799	\$ 180,528
Accrued liabilities	140,515	-	140,515
Due to other governments	-	260,779	260,779
Noncurrent liabilities:			
Due within one year	2,976	-	2,976
Due in more than one year	-	773,574	773,574
Total liabilities	323,220	1,035,152	1,358,372
<b>Net assets:</b>			
Invested in capital assets, net of related debt	4,018,611	7,343,653	11,362,264
Restricted for:			
Metro Act	14,399	-	14,399
Garbage collection	466,544	-	466,544
Building department	136,423	-	136,423
Debt service	214,193	-	214,193
Unrestricted	7,682,203	6,408,655	14,090,858
Total net assets	12,532,373	13,752,308	26,284,681
Total liabilities and net assets	\$ 12,855,593	\$ 14,787,460	\$ 27,643,053

*See notes to financial statements.*

**Charter Township of Flint  
Statement of Activities  
For the Year Ended December 31, 2004**

Functions\Programs	Program revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary government</b>			
Governmental activities:			
General government	\$ 1,714,649	\$ 418,787	\$ -
Public safety	2,788,439	210,682	73,238
Public service	722,793	540,379	-
Interest on long-term debt	3,076	-	-
Total governmental activities	5,228,957	1,169,848	73,238
Business-type activities			
Water and sewer	1,860,359	1,813,939	-
Total business-type activities	1,860,359	1,813,939	-
Total primary government	\$ 7,089,316	\$ 2,983,787	\$ 73,238
 General revenues:			
Property taxes			
Unrestricted grants and contributions			
Unrestricted investment earnings			
Unrestricted earnings			
Total general revenues			
 Change in net assets			
Net assets - beginning			
Net assets - ending			

*See notes to financial statements.*

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Capital Grants</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ 72,000	\$ (1,223,862)	\$ -	\$ (1,223,862)
-	(2,504,519)	-	(2,504,519)
-	(182,414)	-	(182,414)
-	(3,076)	-	(3,076)
72,000	(3,913,871)	-	(3,913,871)
897,199	-	850,779	850,779
897,199	-	850,779	850,779
<u>\$ 969,199</u>	<u>(3,913,871)</u>	<u>850,779</u>	<u>(3,063,092)</u>
	2,037,894	-	2,037,894
	902,553	-	902,553
	70,118	53,739	123,857
	599,529	-	599,529
	3,610,094	53,739	3,663,833
	(303,777)	904,518	600,741
	12,836,150	12,847,790	25,683,940
	<u>\$ 12,532,373</u>	<u>\$ 13,752,308</u>	<u>\$ 26,284,681</u>

*See notes to financial statements.*

## **Fund Financial Statements**

**Charter Township of Mundy  
Balance Sheet  
Governmental Funds  
December 31, 2004**

	<b>General Fund</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,356,761	\$ 210,459	\$ 5,567,220
Receivables:			
Taxes	1,864,252	-	1,864,252
Special assessments	567,640	-	567,640
Accounts	49,715	-	49,715
Prepaid insurance	25,358	-	25,358
Due from other funds	444,334	3,734	448,068
Due from other governments	315,449	-	315,449
	<hr/>	<hr/>	<hr/>
Total assets	\$ 8,623,509	\$ 214,193	\$ 8,837,702
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts payable	\$ 179,729	\$ -	\$ 179,729
Accrued liabilities	140,515	-	140,515
Due to other funds	3,696	-	3,696
Deferred revenue	2,030,042	-	2,030,042
	<hr/>	<hr/>	<hr/>
Total liabilities	2,353,982	-	2,353,982
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Reserved for:			
Prepays	25,358	-	25,358
Garbage collection	466,544	-	466,544
Building department	136,423	-	136,423
Metro Act	14,399	-	14,399
Designated for subsequent years expenditures	383,879	-	383,879
Designated for impact fee refund	820,000	-	820,000
Unreserved, undesignated	4,422,924	214,193	4,637,117
	<hr/>	<hr/>	<hr/>
Total fund balances	6,269,527	214,193	6,483,720
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 8,623,509	\$ 214,193	\$ 8,837,702
	<hr/>	<hr/>	<hr/>

*See notes to financial statements.*

**Charter Township of Mundy  
Reconciliation of the Fund Balance as Reported in the  
Governmental Balance Sheet to the Statement of Net Assets  
For the Year Ended June 30, 2004**

Total Governmental Funds fund balance as reported in the Governmental Funds Balance Sheet	\$ 6,483,720
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,021,587
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,030,042
Long term capital lease liabilities are not due and payable in the current period, and therefore, are not reported in the funds	<u>(2,976)</u>
Net Assets - Governmental Activities	<u><u>\$ 12,532,373</u></u>

*See notes to financial statements.*

**Charter Township of Mundy**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2004**

	General	Debt Service	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 1,862,924	\$ -	\$ 1,862,924
Licenses, permits, and fees	697,925	-	697,925
Intergovernmental:			
Federal	145,238	-	145,238
State	920,553	-	920,553
Charges for services	793,667	-	793,667
Interest	66,965	3,152	70,117
Miscellaneous	259,788	-	259,788
Total revenues	4,747,060	3,152	4,750,212
<b>Expenditures:</b>			
Current:			
General government:			
Township hall	1,969,858	-	1,969,858
Tax account	273,818	-	273,818
Other general government	86,828	-	86,828
Public safety:			
Building department	142,031	-	142,031
Police department	1,867,380	-	1,867,380
Fire department	495,763	-	495,763
Public service	807,569	-	807,569
Debt service:			
Principal retirement	3,719	117,912	121,631
Interest and fiscal charges	373	2,703	3,076
Total expenditures	5,647,339	120,615	5,767,954
Excess (deficiency) of revenues over expenditures	(900,279)	(117,463)	(1,017,742)
Fund balance - beginning of year	7,169,806	331,656	7,501,462
<b>Fund balance - end of year</b>	<b>\$ 6,269,527</b>	<b>\$ 214,193</b>	<b>\$ 6,483,720</b>

*See notes to financial statements.*

**Charter Township of Mundy  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2004**

Amounts reported for governmental activities in the statement of activities (pages 12 and 13) are different because:

Net Change in fund balances - total governmental funds (page 16)	\$ (1,017,742)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. Any losses on disposals are recognized as a reduction in net assets on the statement of activities. This is the amount by which capital outlays exceeded depreciation and losses on disposal in the current period.

417,362

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

174,972

The repayment of the principal on long-term capital leases consumes the current financial resources of governmental funds. The transaction, however, does not have any affect on net assets.

121,631

Change in net assets of governmental activities

\$ (303,777)

*See notes to financial statements.*

**Charter Township of Mundy  
Statement of Net Assets  
Proprietary Fund  
Water and Sewer Enterprise Fund  
December 31, 2004**

	<u><b>Sewer and Water</b></u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 5,879,320
Receivables:	
Accounts	174,240
Special assessment receivable	277,512
Unbilled utility service income	332,885
Due from other funds	<u>31,900</u>
Total current assets	<u>6,695,857</u>
Property, plant, and equipment:	
Water and sewer mains	17,484,668
Less accumulated depreciation	<u>(9,367,441)</u>
Net property, plant, and equipment	<u>8,117,227</u>
Total assets	<u><u>\$ 14,813,084</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 799
Due to other governments	260,779
Due to other funds	<u>25,624</u>
Total current liabilities	287,202
Long term liability - construction advances	<u>773,574</u>
Total liabilities	<u>1,060,776</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	7,343,653
Unrestricted	<u>6,408,655</u>
Total net assets	<u>13,752,308</u>
Total liabilities and net assets	<u><u>\$ 14,813,084</u></u>

*See notes to financial statements.*

**Charter Township of Mundy**  
**Statement of Revenues, Expenses, and Changes Fund Net Assets**  
**Proprietary Fund**  
**Water and Sewer Enterprise Fund**  
**For the Year Ended December 31, 2004**

	<u>Sewer and Water</u>
<b>Operating revenues:</b>	
Charges for services	\$ 1,774,365
Late charges	33,899
Inspection and contractors' fees	<u>5,675</u>
Total operating revenues	<u>1,813,939</u>
<b>Operating expenses:</b>	
Payroll	45,969
Depreciation	345,068
Maintenance and repair	84,249
Sewer treatment charges	826,146
Water purchases	550,706
Miscellaneous	1,032
Billing service charges	<u>7,189</u>
Total operating expenses	<u>1,860,359</u>
Operating loss	<u>(46,420)</u>
<b>Non-operating revenues (expenses):</b>	
Interest on investments	53,012
Tap-in fees	897,199
Interest on tap-in fees	<u>727</u>
Total non-operating revenues	<u>950,938</u>
Change in net assets	904,518
Net assets - beginning of year	<u>12,847,790</u>
<b>Net assets - end of year</b>	<u><u>\$ 13,752,308</u></u>

*See notes to financial statements.*

**Charter Township of Mundy  
Statement of Cash Flows  
Proprietary Fund  
Water and Sewer Enterprise Fund  
For the Year Ended December 31 2004**

	<b>Sewer and Water</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 1,758,513
Payments to suppliers for goods and services	(1,469,702)
Payments to employees	(67,463)
Net cash provided by operating activities	<u>221,348</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of fixed assets	(277,513)
Capital contributions - customers	<u>619,687</u>
Net cash provided by capital and related financing activities	<u>342,174</u>
<b>Cash flows from investing activities:</b>	
Interest on cash and cash equivalents	53,012
Interest on tap-ins	<u>727</u>
Net cash provided by investing activities	<u>53,739</u>
Net increase in cash and cash equivalents	617,261
Cash and cash equivalents - beginning of year	<u>5,262,059</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 5,879,320</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (46,420)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	345,068
Changes in assets and liabilities:	
Increase in receivables	(35,069)
Increase in due from other funds	(20,357)
Increase in due to other governments	19,965
Decrease in due to other funds	<u>(41,839)</u>
Net cash provided by operating activities	<u><u>\$ 221,348</u></u>

**Non-cash capital financing activities for 2004:**

During the year ended December 31, 2004, water and sewer had construction of fixed assets in the amount of \$277,513. The Township is special assessing for the total amount. In the current year, we recognized a special assessment receivable and capital contributions related to the cost of construction.

*See notes to financial statements.*

**Charter Township of Mundy  
Fiduciary Fund  
Tax Collection Agency Fund  
Statement of Assets and Liabilities  
December 31, 2004**

	<b>Balance December 31, 2004</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,224,168
<b>Liabilities</b>	
Due to other funds	\$ 450,648
Due to other governments	3,773,520
Total liabilities	\$ 4,224,168

*See notes to financial statements.*

## **Notes to Basic Financial Statements**

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies**

**A. Reporting entity:**

The Charter Township of Mundy, Michigan (Township), became a Charter Township April 1, 1978. The Township provides the following services as authorized by law: public safety (police and fire), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services.

**B. Government-wide and fund financial statements**

During the year ended December 31, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Township does not have any component units at December 31, 2004.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

Sewer and water fund – a single fund is maintained for the operations of the water distribution system and sewage pumping and collection system.

Additionally, the Township reports the following fiduciary fund:

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are report as fiduciary funds and are not included in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**1. Summary of significant accounting policies**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

Deposits are carried at cost plus accrued interest and consist of checking accounts and money market accounts. The carrying value of deposits is separately displayed on the balance sheet as "cash and cash equivalents." Michigan law does not require collateralization of government deposits.

The Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents for purposes of the cash flow statement.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade, notes, contracts and property tax receivables are shown net of an allowance for uncollectibles.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**3. Prepaid items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$300 and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended December 31, 2004. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township has five years to retroactively determine costs and accumulated depreciation for infrastructure assets acquired prior to January 1, 2004 and record those assets on the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and Sewer System	50 years

**5. Accumulated unpaid sick and vacation pay**

Employees' unused sick and personal time is paid out in cash at the end of the year. Vacation time may not be carried over. Any remaining vacation time at the end of the year is forfeited.

**6. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**1. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**7. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**8. Property taxes**

The Township levies property taxes on December 1 each year based on assessed values established the prior December 1. These taxes become liens on the property at that date and are collected without penalty through February 28 of the following year. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing that the taxes receivable and cash collected before year end on the December 1 roll are not available for current appropriation. Tax collections made from December 1 through December 31 in the current tax agency fund and not distributed prior to year end are recorded as due to other funds/governments. These monies are subsequently distributed to the appropriate funds and/or governments in the ensuing budget year. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis in the General Fund.

Property taxes are levied based on assessed values of property located in the Township. Assessed values are established annually and taxable by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2003 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$532,407,064	\$419,847,902
Personal property	23,732,444	23,732,444
Qualified property	1,531,900	1,231,346
Total	<u>\$557,671,408</u>	<u>\$444,811,692</u>

The Township is permitted by charter to levy up to \$5 (5 mills) per \$1,000 of state equalized value for general governmental services. For the year ended December 31, 2004, the Township levied 4.564 mills per \$1,000 of taxable value for general operations. The Township is permitted to levy unlimited amounts for payment of existing general long-term debt obligations.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The detail of this difference is as follows:

Capital leases payable	<u>\$ 2,976</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$ 2,976</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$1,594,636
Loss on disposals	(764,128)
Depreciation expense	<u>(413,146)</u>
Net adjustment to increase <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u>\$ 417,362</u>

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 1, a proposed operating budget for the fiscal year commencing January 1 is presented. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget for the General Fund is legally enacted on a "total fund" basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**III. Stewardship, compliance, and accountability – (continued)**

**A. Budgetary information – (continued)**

4. Formal budgetary integration is employed as a management control device during the year for each budgeted fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.
5. Budget appropriations lapse at year end except for approved contracts which are appropriated on a contract (grant) length basis. Encumbrances are not included as expenditures at year end. The amount of encumbrances outstanding at December 31, 2004, is not known.
6. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund is presented on the budgetary basis to provide a comparison of actual results with the budget. No budget was adopted for the Debt Service Fund, so that fund is not included in the budget to actual presentation.

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2004, expenditures exceeded appropriations in the police and fire departments (the legal level of budgetary control) of the general fund by \$52,288 and \$10,563, respectively.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

The Township's cash consists of a Bank One checking account. At year end, the carrying amount of the Township's deposits was \$4,441,995, excluding petty cash of \$691. The bank balance was \$2,236,819. The book balance was greater than the bank balance due to outstanding deposits at year end in the tax collection fund. Of the bank balance, \$100,000 or 4.5% was insured and \$2,136,819 or 95.5% was uninsured or uncollateralized.

State statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The Township has authorized the Township Treasurer to invest in any local banking institution.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

At year end, the Township's categorized investment balances were as follows:

	<u>Category</u>			<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ -	\$ -	\$11,032,538	\$11,032,538
Total categorized	\$ -0-	\$ -0-	\$11,032,538	

Investments not subject to categorization:

Pooled government securities	<u>195,484</u>
Total investments	<u>\$11,228,022</u>

The Township's investments in pooled government securities are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$5,567,220</u>	<u>\$5,879,320</u>	<u>\$4,224,168</u>	<u>\$15,670,708</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts, certificates of deposits)	\$ 4,441,995
Investments in securities, mutual funds and similar vehicles	11,228,022
Petty cash and cash on hand	<u>691</u>
Total	<u>\$15,670,708</u>

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**B. Receivables**

Receivables as of December 31, 2004 for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Sewer and Water</u>	<u>Total</u>
Receivables:			
Taxes	\$1,864,252	\$ -	\$1,864,252
Accounts	49,715	174,240	223,955
Unbilled utility charges	-	332,885	332,885
Special assessments	567,640	277,512	845,152
Intergovernmental	315,449	-	315,449
	<hr/>	<hr/>	<hr/>
Gross receivables	2,797,056	784,637	3,581,693
Less: allowance for uncollectibles	-	-	-
	<hr/>	<hr/>	<hr/>
Net total receivables	<u>\$2,797,056</u>	<u>\$784,637</u>	<u>\$3,581,693</u>

**C. Capital assets**

Capital asset activity for the year ended December 31, 2004 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 334,736	\$ -	\$ -	\$ 334,736
Construction in progress	391,918	-	(391,918)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	726,654	-	(391,918)	334,736
Capital assets, being depreciated:				
Buildings	3,124,518	1,685,726	(707,036)	4,103,208
Machinery and equipment	3,069,833	211,592	(57,092)	3,224,333
Infrastructure	-	89,236	-	89,236
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	6,194,351	1,986,554	(764,128)	7,416,777
Less accumulated depreciation for:				
Buildings	1,090,072	122,596	-	1,212,668
Machinery and equipment	2,226,708	286,088	-	2,512,796
Infrastructure	-	4,462	-	4,462
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	3,316,780	413,146	-	3,729,926
Total capital assets, being depreciated, net	<hr/>	<hr/>	<hr/>	<hr/>
	2,877,571	1,573,408	(764,128)	3,686,851
Governmental activities capital assets, net	<u>\$ 3,604,225</u>	<u>\$1,573,408</u>	<u>\$(1,156,046)</u>	<u>\$ 4,021,587</u>

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Water and sewer mains	\$17,207,155	\$ 277,513	\$ -	\$17,484,668
Less accumulated depreciation for:				
Water and sewer mains	9,022,373	345,068	-	9,367,441
Business-type activities capital assets, net	<u>\$ 8,184,782</u>	<u>\$ (67,555)</u>	<u>\$ -0-</u>	<u>\$ 8,117,227</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 97,644
Public safety	311,040
Public service	<u>4,462</u>

Total depreciation expense – governmental activities \$413,146

Business-type activities:

Water and sewer	<u>\$345,068</u>
-----------------	------------------

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances at December 31, 2004, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer and Water Fund	\$ 25,624
	Tax Collection Fund	418,710
Debt Service Fund	General Fund	3,696
	Tax Collection Fund	38
Sewer and Water Fund	Tax Collection Fund	<u>31,900</u>
		<u>\$479,968</u>

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**E. Long-term bonded debt**

The Township was a participant in the county-wide water and sanitary sewer construction programs. These programs were financed by general obligation bonds issued by Genesee County. The Township was obligated to assume the portion of the total debt for the construction of the systems within its boundaries. The full faith and credit or limited tax full faith and credit of the Township has been pledged to the prompt payment of the principal and interest thereon, as it becomes due. Significant details regarding the Township's obligations are as follows:

	Final Payment <u>Due</u>	Interest Rate or <u>Range</u>	Balance at December 31, <u>2003</u>	(Retirements) <u>During Year</u>	Balance at December 31, <u>2004</u>
Governmental Activities:					
Genesee County Main Interceptor	2004	1.5%	\$ 38,277	\$ (38,277)	\$ -
Genesee County Swartz Creek Interceptor	2004	2.9	79,635	(79,635)	-
			<u>\$117,912</u>	<u>\$(117,912)</u>	<u>\$ -0-</u>

**F. Capital lease obligations**

The Township has acquired a copier/fax machine through a capital lease.

Assets acquired through a capital lease are as follows:

	Governmental <u>Activities</u>
Asset:	
Machinery and equipment	\$ 42,783
Less: Accumulated depreciation	<u>29,260</u>
Total	<u>\$ 13,523</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004 were as follows:

<u>Year Ended December 31</u>	Governmental <u>Activities</u>
2005	\$ 3,069
Less: amount representing interest	<u>(93)</u>
Long-term portion	<u>\$ 2,976</u>

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**G. Tap-in fees advanced from developers**

The Township has a construction advance liability for monies advanced by developers for construction of water and sewer lines benefiting their properties. A liability in the amount of \$773,574 exists at December 31, 2004. The tap-in fee, which would normally be charged to the contractor for projects serviced, was applied to the advance. Also, 100% of tap-ins to other land owners in the developer's area will be applied against this amount advanced and paid back to the developer. Payments based on the current activity will be remitted to the developer annually. After ten years, the developer will not be entitled to any further use of their advance regardless of whether or not they have used the full amount. The developers' interests in the various tap-in contracts still open at December 31, 2004 will expire in November 2013. At the expiration date of the agreements, any remaining construction advance liability will be reclassified to contributed capital.

No tap-in applicable to this advance was performed during 2004. Therefore, there has been no reduction in the liability since December 31, 2003.

**V. Other information**

**A. Retirement plan**

Defined contribution plan:

The Township has a contributory defined contribution pension plan administered by MFS Financial Services, covering all full-time employees except police officers. Employees are eligible to participate immediately upon full-time status. Ten percent of base wages is contributed to the plan by the Township in accordance with state law, with an additional five percent required contribution by the employee. Employees also have an option of contributing an additional ten percent. All contributions are immediately vested. Payroll costs of all employees and payroll costs of plan participants amounted to \$2,007,315 and \$666,557, respectively. The Township's policy is to fund pension costs accrued on an annual basis. Pension cost amounted to \$66,656 or 10% of covered payroll for the year. The pension, as established, does not recognize prior service costs as it is based exclusively on current compensation earned by participants.

Defined benefit plan:

Plan description

During the year ended December 31, 1998, Mundy Township elected to allow participation by the Police Department Patrol officers and detectives in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

The effective date for participation in the plan by the Police Department was July 1, 1998.

**Charter Township of Mundy  
Notes to Financial Statements  
December 31, 2004**

**V. Other information – (continued)**

**A. Retirement plan – (continued)**

Defined benefit plan: - (continued)

Plan description - (continued)

Membership in the plan at December 31, 2003, the date of the latest actuarial valuation, is comprised of 19 active members, and no inactive vested member or retirees and beneficiaries.

The plan provides for vesting of benefits after ten years of service. Participants may elect normal retirement at age 55 with 25 or more years of service.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.25% of the member's final average compensation (F.A.C.) with a maximum benefit of 8% of F.A.C.

Funding policy

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 5% of eligible compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

The Township forwarded \$45,181 of pension contributions withheld from employees during the year ended December 31, 2004.

Actuarial assumptions

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	December 31, 2003
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	36 years open
Asset valuation method	5 year smoothed market
Investment rate of return	8.0 %
Projected salary increases	4.5% to 8.66% depending on age

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**V. Other information – (continued)**

**A. Retirement plan – (continued)**

Annual pension cost

The Township's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended December 31, 2004 was \$96,108. All employer contributions made were equal to required contributions by MERS. There was no Net Pension Obligation (NPO) at December 31, 2004. The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the years ended December 31, 2000 through 2004 are summarized as follows:

<u>Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/02	12/31/01	\$ 76,633	100.0%	\$ -
12/31/03	12/31/02	79,910	100.0	-
12/31/04	12/31/03	96,899	100.0	-

The Plan's Schedule of Funding Progress and Schedule of Employer Contributions can be found in the Required Supplementary Information section, located at page 37.

**B. Risk management and contingent liabilities**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township participates in various state and federally assisted grant programs. These programs are subject to compliance monitoring by the grantor to ensure grant monies were properly spent. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although, the Township expects such amounts to be immaterial. A Single Audit, which would require that federal grant compliance be tested during the financial statement audit, was not required in 2004 since the Township expended less than \$500,000 in federal funds.

The Township is a defendant in several lawsuits arising principally from various claims. Legal counsel estimates that any potential claims arising against the Township resulting from such litigation will not materially affect the financial statements of the Township.

At year end, a dispute exists between the Township and a landfill operator as to the amount of impact fees paid to the Township General Fund in the current and prior years. The landfill operator claims that the Township was overpaid \$820,000. Management believes that the fees paid were in compliance with the impact fee agreement. No litigation has been filed against the Township as of the report date, however, management has elected to designate \$820,000 of the fund balance of the General Fund at December 31, 2004 to reflect this dispute.

**Charter Township of Mundy**  
**Notes to Financial Statements**  
**December 31, 2004**

**V. Other information – (continued)**

**C. Construction code revenues/expenditures**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The Act allows for monitoring these funds in a separate activity center within the General Fund and reserving General Fund fund balance for the excess of building departments revenues over expenditures since adoption of the Act. The activity related to construction code activity for the year ended December 31, 2004 and General Fund reserved fund balance at year end is as follows:

Reserved fund balance – beginning of year		\$ 87,541
Construction permit revenue	\$190,913	
Building department expenditures	<u>142,031</u>	
Current year revenue over (under) expenditures		<u>48,882</u>
Reserved fund balance – end of year		<u><u>\$136,423</u></u>

## **Required Supplementary Information**

**Charter Township of Mundy  
Required Supplementary Information  
Analysis of Funding Progress**

**Pension Plan  
Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Entry Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c)</u>
12/31/01	\$340,999	\$1,198,221	\$857,222	28.5%	\$751,182	114.1%
12/31/02	502,423	1,416,708	914,285	35.5	791,976	115.4
12/31/03	720,287	1,670,289	950,002	43.1	920,197	103.2

**Pension Plan  
Schedule of Employer Contributions**

<u>Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
12/31/02	12/31/01	\$ 76,633	100.0%
12/31/03	12/31/02	79,910	100.0
12/31/04	12/31/03	96,899	100.0

**Charter Township of Mundy**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended December 31, 2004**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Under (Over)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Taxes	\$ 1,861,972	\$ 1,861,972	\$ 1,862,924	\$ 952
Licenses, permits, and fees	598,000	598,000	697,925	99,925
Intergovernmental:				
Federal	96,153	96,153	145,238	49,085
State	909,000	909,000	920,553	11,553
Charges for services	729,050	729,050	793,667	64,617
Interest	50,000	50,000	66,965	16,965
Fines and forfeitures	10,000	10,000	-	(10,000)
Miscellaneous	176,526	176,526	259,788	83,262
Total revenues	4,430,701	4,430,701	4,747,060	316,359
<b>Expenditures:</b>				
Current:				
General government:				
Township hall	2,355,698	2,319,079	1,969,858	349,221
Tax account	292,296	281,902	273,818	8,084
Other general governmental	188,403	188,403	86,828	101,575
Public safety:				
Building department	150,678	145,320	142,031	3,289
Police department	1,882,127	1,815,092	1,867,380	(52,288)
Fire department	503,090	485,200	495,763	(10,563)
Liquor law enforcement	3,500	3,500	-	3,500
Public service	1,111,743	1,018,113	807,569	210,544
Debt service:				
Principal payments	3,719	3,719	3,719	-
Interest and fiscal charges	373	373	373	-
Total expenditures	6,491,627	6,260,701	5,647,339	613,362
Excess (deficiency) of revenues over expenditures	(2,060,926)	(1,830,000)	(900,279)	929,721
Fund balance - beginning of year	7,169,806	7,169,806	7,169,806	-
<b>Fund balance - end of year</b>	<b>\$ 5,108,880</b>	<b>\$ 5,339,806</b>	<b>\$ 6,269,527</b>	<b>\$ 929,721</b>

**Individual Fund Statement**

**Charter Township of Mundy  
Agency Funds  
Statement of Changes in Assets and Liabilities  
For the Year Ended December 31, 2004**

	<b>Balance January 1, 2004</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2004</b>
<b><u>Current Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,769,630	\$ 15,903,209	\$ 15,448,671	\$ 4,224,168
<b>Liabilities</b>				
Due to other funds	\$ 258,401	\$ 192,247	\$ -	\$ 450,648
Due to other governments	3,511,229	16,793,738	16,531,447	3,773,520
Total liabilities	\$ 3,769,630	\$ 16,985,985	\$ 16,531,447	\$ 4,224,168

March 10, 2005

Members of the Township Board  
Charter Township of Mundy  
Swartz Creek, Michigan 48473

We have audited the general purpose financial statements of the Charter Township of Mundy for the year ended December 31, 2004, and have issued our report thereon dated March 10, 2005. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Charter Township of Mundy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Mundy are described in Note 1 to the general purpose financial statements. We noted no transactions entered into by the Charter Township of Mundy during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the lives of fixed assets used for governmental and business type activities. We evaluated the lives used and feel that they are reasonable in relation to the proprietary fund-type financial statements taken as a whole.
- Management's estimates of the actuarial assumptions used to compute the actuarial accrued liabilities for the Township's defined benefit pension plan administered by Municipal Employees Retirement System. Independent actuaries of the pension trust prepare these estimates. We evaluated the specific assumptions used and feel that they are reasonable in relation to the overall financial statement presentation.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed adjustments related to receivables, payables, depreciation expense, prepaids, and contributed capital that, in our judgment, either individually or in the aggregate, did have a significant effect on the Charter Township of Mundy's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on a certain situation. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management (primarily the Township's Treasurer) each year prior to retention as the Charter Township of Mundy's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Charter Township of Mundy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted the following improvements from items noted in last years' comments and recommendations letter.

### **Timeliness of General Ledger Records:**

During the 2003 audit, it was noted that the general ledger for the various Township funds was approximately six months behind the current date in having all transactions posted. Per discussion with the Treasurer, this situation has existed since June 2003. Due to the lack of timely general ledger accounting, other financial records have been maintained separate from the general ledger to facilitate interim reporting throughout the year. This results in additional time incurred by the Treasurer to prepare and process these reports from transaction detail rather than being able to rely upon posted ledgers.

At the time the fieldwork was performed during March 2005, the Township's financial records were posted current through February 2005. We commend management for improving the timeliness of the general ledger posting and would encourage that the Township continue to post the financial records timely.

The information is intended solely for the use of the Board and management of the Charter Township of Mundy and should not be used for any other purpose.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and the Board and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Township's personnel during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

*BKR Dupuis & Rogen*

Certified Public Accountants  
Flint Office